

LatAm Daily | The Colombian economy performed well in 2015: 3.1% YoY

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Minutes in Brazil were in line with a wait-and-see stance for some time; we expect Selic to remain at 14.25% at least until the end of 2016. In Peru, CB surprisingly kept its policy rate at 4.25%. Today we expect another monthly contraction in Mexican industrial production.

Brazil - Copom in wait-and-see mode

Even though inflation forecasts for 2016 and 2017 were revised upwards and remain above the 4.5% target, the tone of the minutes of last week's monetary policy meeting was not hawkish. The Copom refrained from signalling that either a tightening or an easing of monetary conditions is imminent. As in January, monetary policy minutes released yesterday highlighted that most of its members considered that "domestic and mainly external uncertainties justify that they continue monitoring the evolution of the macroeconomic scenario to then define the next steps of the monetary policy strategy". Therefore, Copom will likely maintain a wait-and-see stance for some time, before altering its plan of leaving interest rates unchanged for a while. All in all, we continue to expect the Selic rate to remain at 14.25% until the end of 2016. In any case, the monetary policy communication will likely become gradually more dovish as inflation trends downward from now (for more details, see our [Brazil Flash](#)).

Brazil - Retail sales contracted sharply in January

The core retail sales indicator showed a 1.5% decrease in the first month of 2016. The contraction was significantly higher than expected (BBVAe: -0.5% MoM; consensus: -0.4% MoM). The broad retail sales indicator, which also considers vehicles and construction material, dropped 1.6% MoM. The deterioration in retail sales in January was widespread: eight out of the ten sectors went through a downward correction in the period. The figures are in line with our view that private consumption and overall activity will decrease again in 1Q16.

Colombia - The Colombian economy performed well in 2015

The Colombian economy grew 3.1% in 2015. This result is positive compared to other Latin American countries, despite the sharp shock that Colombia faced by the oil slump. In addition, the sectorial figures begin to reflect the acceleration of some sectors that remained subdued in the past, such as industry and agriculture, and that are offsetting (but not completely) the negative figures of oil and mining (former sources of growth). In the fourth quarter of 2015, GDP grew by 3.3% YoY (0.6% QoQ) mainly driven by agriculture, construction, industry and utilities. All these four sectors grew above 4%, while mining and transport had the lowest growth. In perspective, economic indicators known at the beginning of 2016 show a further slowdown in the first quarter, which will continue at least until June. After that, the speed of growth will accelerate in the second half of the year. All in all, GDP growth expected for 2016 is 2.0%, thanks to the good results we anticipate for industry and construction ([see flash in Spanish](#)).

Peru - Central bank kept its policy rate at 4.25%

The Central Bank surprised us in March and kept its policy rate at 4.25%. Increasing inflation expectations and the upward revision firms are beginning to make in their 2016 output growth forecasts supported a rate hike, especially after last month's communiqué, which emphasised that future changes in the policy rate would be conditioned to the behaviour of inflation expectations. In this context, it is really not clear why there was no hike in March. The press release suggests it was because of the recent calm in the FX market. What is clear is that it is difficult to understand the Peruvian CB and that perhaps there is not much hurry to drive inflation back down to the target range, or at least not as much as we expected. (For more details, see our [flash in Spanish](#)).

What to watch for today

Mexico - Industrial Production Index (January, NYT 9:hrs)

We estimate that January's 2016 seasonal adjusted industrial production index will show a monthly decrease of -0.2%. Consensus considers a slightly positive monthly rate of growth of 0.2%. Note that the rates that we consider (-0.2%), or that considered by the market (0.2%), to some extent implies that if the rate is negative the challenge to make industrial production grow in February will be important, but this challenge still remains with a limited positive growth rate, because the monthly rate still indicates a weak performance by the industrial sector at the beginning of the year.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV Inflation IGP-DI MoM	8-Mar	Feb	0.96		0.79	1.53
IBGE Inflation IPCA MoM	9-Mar	Feb	1.26	1	0.9	1.27
COPOM Monetary Policy Meeting Minutes	10-Mar					
Retail Sales MoM	10-Mar	Jan	-0.4	-0.5	-1.5	-2.7
Economic Activity MoM	11-Mar	Jan		-0.3		-0.52
Chile						
Copper Exports	7-Mar	Feb			2267.61	2054.09
Trade Balance	7-Mar	Feb	575	650	596.89	685.21
Economic Activity YoY	7-Mar	Jan	0.2	0.2	0.25	1.46
Economic Activity MoM	7-Mar	Jan	-0.1	0.3	-0.03	0.83
Nominal Wage YoY	7-Mar	Jan	4.9		5.8	5.2
Nominal Wage MoM	7-Mar	Jan			1.4	1
Vehicle Sales Total	7-mar al 10-mar	Feb				25484
CPI MoM	8-Mar	Feb	0.3	0.2	0.3	0.5
CPI YoY	8-Mar	Feb	4.6	4.6	4.7	4.8
Central Bank's Traders Survey	9-Mar					
Central Bank's Economist Survey	10-Mar					
Colombia						
GDP YoY	10-Mar	4Q	3	2.4	3.3	3.2
GDP QoQ	10-Mar	4Q	0.5	-0.1	0.6	1.2
GDP Full Year YoY	10-Mar	2015		2.9	3.1	4.6
Economic Activity Index SA YoY	10-Mar	Dec	2.8	2.5	3.7	3.2
Colombia Monetary Policy Minutes	11-Mar					
Mexico						
Consumer Confidence Index	7-Mar	Feb			88.7	92.5
Vehicle Production AMIA	7-mar al 9-mar	Feb			271278	267498
CPI MoM	9-Mar	Feb	0.53		0.44	0.38
CPI Core MoM	9-Mar	Feb	0.36		0.36	0.19
CPI YoY	9-Mar	Feb	2.96		2.87	2.61
ANTAD Same-Store Sales YoY	9-Mar	Feb			9.6	8.6
Formal Job Creation Total	10-mar al 11-mar	Feb		116.1	142.29	69.2
Industrial Production NSA YoY	11-Mar	Jan	0.16	0.4		-0.04
Industrial Production SA MoM	11-Mar	Jan	0.2	-0.2		-0.14
Manuf. Production NSA YoY	11-Mar	Jan	2.1			2.52
Peru						
Trade Balance	9-mar al 11-mar	Jan			-519	193
Reference Rate	11-Mar	1-mar	4.5	4.5	4.25	4.25

Source: Bloomberg and BBVA Research

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